

## Message Text

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ACTION ARA-20

INFO OCT-01 EUR-25 ISO-00 AGR-20 PA-04 PRS-01 USIA-15

AID-20 CIAE-00 COME-00 EB-11 FRB-03 INR-11 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-03 LAB-06

SIL-01 OMB-01 FEAE-00 DRC-01 /166 W

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R 201250Z AUG 74

FM AMEMBASSY GEORGETOWN

TO SECSTATE WASHDC 0179

INFO AMEMBASSY BRIDGETOWN

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

AMEMBASSY LONDON

AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: ETRD, EFIN, GY

SUBJECT: GUYANA TRADE DEFICIT FOR FIRST HALF OF 1974- SUGAR  
SAVES THE DAY

REF: GEORGETOWN 111

1. UNPUBLISHED TRADE FIGURES FOR FIRST FIVE MONTHS  
SHOW GUYANA'S TRADE DEFICIT AT \$US EIGHT MILLION,  
WHICH IS SLIGHTLY BELOW LAST YEAR DEFICIT AT SAME  
PERIOD. MAJOR FACTOR IN HOLDING DEFICIT AT  
MANAGEABLE LEVEL IS EXCELLENT PRODUCTION RATE AND  
HIGH PRICES OF SUGAR EXPORTS. SALES OF SPRING CROP  
(163,000 LONG TONS) BROUGHT ABOUT \$US FORTY-FIVE  
MILLION. WITH FAVORABLE WEATHER CONDITIONS  
CONTINUING AND BARRING LABOR PROBLEMS, TOTAL SUGAR  
EXPORTS FOR 1974 COULD EXCEED \$US 100 MILLION,  
PROVIDED CSA PRICE INCREASES OR SHIPMENTS ARE  
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DIVERTED FROM CSA COMMITMENT TO WORLD MARKET OR

OTHER MORE LUCRATIVE SALES. SHOULD UK NOT RPT NOT INCREASE NPO PRICE FOR SUGAR, GOG WILL BE STRONGLY TEMPTED TO ABANDON QUOTA COMMITMENT AND SELL TO WORLD MARKET. HAD GUYANA SHIPPED ITS SPRING SUGAR CROP TO UK (AS SCHEDULED) SUGAR EXPORT REVENUE WOULD HAVE BEEN NO MORE THAN HALF AMOUNT ACTUALLY REALIZED.

2. BAUXITE/ALUMINA PRODUCTION AND SALES ARE ALSO UP SIGNIFICANTLY, RUNING ABOUT THIRTY PERCENT ABOVE LAST YEAR'S LEVEL FOR THE JANUARY TO JUNE PERIOD. THE CONTRIBUTION OF THIS INDUSTRY, HOWEVER, TO ALLEVIATE THE PAYMENTS CRISIS IS LIMITED BECAUSE ITS PRODUCTION COSTS HAVE INCREASED DRASTICALLY DUE TO ITS HEAVY UTILIZATION OF HIGH COST ENERGY-RELATED GOODS (FUEL OIL FOR CALCINING AND POWER GENERATION, CHEMICALS FOR ALMINA PROCESSING, ETC.) WHICH ARE IMPORTED.

3. SUGAR THEN IS REAL KEY TO SUCCESSFUL WEATHERING OF FINANCIAL CRUNCH. PPP-INSPIRED LABOR PROBLEMS COULD STILL HAVE SERIOUS ECONOMIC, HENCE POLITICAL IMPACT. IF PPP PROVES AS INEFFECTUAL IN AUTUMN AS IT WAS DURING SPRING HARVEST, HOWEVER, WORK STOPPAGES WILL BE MINIMIZED BY WORKERS' DESIRES FOR PRODUCTION BONUSES WHICH WILL ALMOST CERTAINLY REACH RECORD LEVEL. KREBS

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## Message Attributes

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